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Reserve

FACT SHEET ON
SOCIAL SECURITY FOR FARMERS *

Farm workers and farm operators cannot yet buy Federal social insurance although millions of other Americans are insured under the provisions of the Social Security Act of 1935. Nevertheless, farm people, like others, face the same hazards of injury, sickness, disability, old age, and death.

There is no guarantee that favorable farm price and market conditions will constantly prevail. Neither are farmers generally protected against the effects of hail, flood, drought, and similar catastrophes. An expansion of the Federal social security program which now covers workers in specified industries would offer an opportunity for the average farm-family to meet some of these hazards more easily.

Proposals are now being made through the Social Security Board of the Federal Security Agency and other channels, for extension of coverage to farmers and farm workers and other classes of wage workers and self-employed individuals.

The following material explains the Federal Social Security program in terms of what it does, and what it could do for farmers.

PRESENT SITUATION

1. What the Act Covers.-- The present Social Security Act provides for old age and survivors' insurance, for unemployment compensation on insurance principles, and for supplementation of State aid to needy aged, needy blind, and dependent children. The old age and survivors' insurance benefits should not be confused with "old-age assistance." The latter is a relief measure for those already old and in needs; the former an insurance plan for those who have qualified for benefits upon reaching the age of 65. Old age and survivors' insurance and unemployment compensation are financed by both employer and employee.

2. Insurance Benefits.-- Eligibility for old-age and survivors' insurance benefits is based on age, and the length of employment and amount of wages in specified occupations. How much money this means to the individual worker depends upon the wages paid to him after December 31, 1936, and before the calendar quarter in which he dies or becomes entitled to benefits. Benefits are paid out of the Federal Old-Age and Survivors' Insurance Trust Fund, which is accumulated in the United States Treasury from the tax contributions of the workers and their employers. Unemployment benefits depend upon the amount of employment wages, and state regulations. Benefits are paid from an unemployment compensation trust fund maintained by the Federal Government.

3. Public Assistance.-- The public assistance programs--aid to the aged, blind, and dependent children--provide for straight money grants to meet needs. These programs are conducted in cooperation with State welfare agencies, for the benefit of any qualified recipients, whether farm or nonfarm workers. The amount of benefits and definitions of need differ considerably in the various States. At present, the Act requires that need must usually be proven, and the burden of proof is on the needy person.

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NEW PROPOSALS

1. Wider Insurance Coverage.-- Plans under consideration by the Social Security Board for an expanded program call for extension of old-age and survivors' insurance to new groups of workers and to the self-employed, including farmers and hired farm laborers.

Other types of insurance under consideration include medical, hospitalization and maternity benefits, permanent and temporary disability compensation, expanded unemployment compensation, and credits to service people for old age and survivors' insurance. The few benefits for which farmers are now eligible and those they would be eligible for under proposals now being considered are shown in the following table:

Social Insurance Coverage and Proposals

(x-indicates coverage)

Kind of insurance or benefit	: Proposals to cover farm		
	: Now in effect :	: and other workers	
	: (only non-farm:	(By Social Security Board)	
	: wage workers :	For hired	For farm
	: are eligible) :	farm lab-	operators
	:	orsers 1/	2/
Old age and survivors <u>3/</u>	x	x	x
Medical	-	x	x
Hospitalization	-	x	x
Maternity	-	x	x
Disability - Permanent <u>3/</u>	-	x	x
- Temporary	-	x	-
Public assistance for needy children and aged and blind adults	x	x	x
Unemployment compensation	x	x	-
Credits for service people			
Old age and survivors	-	x	x
Unemployment compensation	-	x	x

1/ Includes wage workers in other industries. 2/ Includes the self-employed in other industries. 3/ Includes benefits for dependents.

2. Unification of Insurance Systems.-- Consolidation of the present separate social insurance systems--old-age and survivors' insurance, and unemployment compensation--has also been suggested. The Federal Government now operates the former, and State Governments conduct the latter. Qualifying requirements and benefits of unemployment compensation differ considerably. This confuses and irritates those covered and they often lose needed benefits to which they are entitled, particularly when they have worked and established eligibility in one State and later have moved to another.

3. Medical and Hospital Benefits.-- Another proposal is insurance for medical and hospitalization benefits. Such benefits are probably most urgently needed by the average farm family, because 2/5 of farm operators are under 45 years of age, and over 3/5 are under 55. Such people are in the active periods of life when family rather than old-age problems are their chief worries. Moreover, the farm population

contains a great deal more than its share of the Nation's children but has at its service less than its proportion of doctors, hospitals, and other medical service.

Insurance against hospital costs is recommended to protect farmers against the unpredictable heavy average cost of hospitalized illness. Such expenses strike the typical family every few years. In years when hospital care is necessary, family medical expenses average well over \$300. Most people can't save enough to cover such expenses, and have to go into debt to pay them. This means many sacrifices for both the family and the patient. Food, clothing, farm equipment, children's education, home comforts, and even recommended treatment for the patient are often sacrificed.

In addition to hospitalization, principal medical costs of hired farm workers and farm operators and their immediate dependents, including physician's services, would be covered by proposed Federal insurance.

Through the medical insurance plan, most farm families would save more than their social security contributions, would enjoy better medical facilities and services, and would have a better opportunity to maintain health.

4. More Services.-- Liberalization and extension of services rendered by the Social Security Board have also been recommended--that is, enlarging old-age and survivors' insurance benefit payments; increasing the amount of public assistance and making it available generally by eliminating State citizenship or residence requirements; giving servicemen and women credits toward old-age and survivors' insurance and for unemployment compensation. These credits would prevent the lapse of preservice earned rights of covered persons, and would also begin coverage of farm workers and others not previously covered.

FINANCING SOCIAL SECURITY

1. Amount of Benefits.-- Financing of the proposed social security measures would be carried out by taxation of both employers and employees--the method now used to support old-age and survivors' insurance. To cover themselves self-employed farm operators would pay 7 percent of the value of their services. Various methods by which this would be done are under consideration.

Department of Agriculture estimates show that in few years do farm operators have average gross incomes of \$2,000. Even then probably not over a quarter of them exceed \$1,000, and maybe not over 2 in 5 exceed \$600. A 7 percent tax would be \$42 on a \$600 income; and \$70 on one of \$1,000. No payment above \$210 can be made on incomes of \$3,000 or more in the case of old-age and survivors' insurance.

To cover hired farm laborers their employers would pay amounts equal to 5 to 6 percent of wages paid, plus deduction of the same amounts from the wages. These larger amounts for hired laborers are necessary because they will be insured against two risks--unemployment compensation, and temporary disability.

2. How Taxes are Paid Now.-- Payments of social security taxes are made by the employer. In the case of old-age and survivors' insurance a tax on employee wages is withheld, the payroll tax on the employer is added to it, and the total is sent quarterly to a collector of internal revenue.

The tax to support unemployment compensation is similarly collected in a few States, but in most States the employer pays it all without payroll deductions. The money goes into a Federal trust fund from which the States may requisition amounts needed to pay unemployment compensation.

3. Proposed Tax Collection Methods.-- These methods of collection are none too well adapted to all types of farming or to the employment of migratory farm workers. Consequently, the proposal is that seasonal or migratory farm laborers--or possibly all--be allowed to carry stamp books. For them, employers would purchase stamps at the local post office and paste into books the number of stamps covering the proper wage deductions plus payroll taxes. The worker would turn these in periodically for credit to his account and would obtain a new book. Local post offices would forward the stamp books to the proper authorities.

THE FARMER NEEDS SOCIAL SECURITY

1. All Farmers are Not Self-Sufficient.-- The general notion that farmers are somehow better equipped to meet hazards of life than other workers or employers has resulted in their usually being the last to be included in public welfare programs. It is true that if serious trouble comes they are less likely to feel it financially as promptly as the urban worker. Nevertheless, the average farmer is in no position to deal adequately with any long-time financial strain. A farmer is generally a self-employed capitalist but this doesn't mean his income is automatically sufficient to see him safely through his rainy days.

The growing complexity of our society has made it necessary for most people, including farmers, to depend on some form of insurance in meeting emergencies, rather than on family or friends. In the past when farms were self-sufficient and farm families were large, trouble could be weathered more easily than now when a farmer's financial standing depends on farm prices and markets, and he is likely to have at best only a very small financial backlog to protect himself in emergencies.

In short, when trouble strikes, the farmer has to meet it pretty much on his own. But social security measures can help out by enabling him to pay for insurance according to his means.

2. Social Security is Insurance.-- There has been no widespread demand for social insurance by farmers because many are unfamiliar with the program. They frequently mistake it for relief, or believe it is practical only for hired workers. Actually, it is primarily an insurance plan, based on widely-accepted insurance principles. The only elements of public relief in it are the public assistance programs and farm people are already eligible for this type of aid.

As for including the self-employed farmer, it is more practical that he have insurance benefits available to help him through periods of unavoidable trouble.